

BRANSTETTER, KILGORE, STRANCH & JENNINGS

ATTORNEYS AT LAW

227 SECOND AVENUE NORTH

FOURTH FLOOR

NASHVILLE, TENNESSEE 37201-1631

October 26, 1999

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DONALD L. SCHOLES
JAMES G. STRANCH, III
JANE B. STRANCH

BRYAN E. PIEPER
*ALSO ADMITTED IN GA

REC'D TN
REGULATORY AUTH.

'99 OCT 27 AM 10 46

EXECUTIVE SECRETARY

TELEPHONE
(615) 254-8801

FACSIMILE
(615) 255-3419

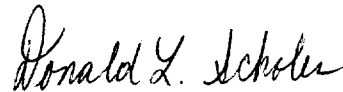
David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243-0505

**Re: Petition of Lynwood Utility Corporation to Change and Increase Rates and
Charges - Supplemental Response to Staff's First Information Request
Docket No. 99-00507**

Dear Mr. Waddell:

I have enclosed an original and thirteen copies of a Supplemental Response the Staff's First Information Request in this case dated September 24, 1999. I have enclosed an additional copy for you to mark filed and return to me. Thank you for your assistance in this matter.

Sincerely yours,



DONALD L. SCHOLES

Enclosures

c: Vince Williams
Davis Lamb

BKSJ File No.: 99-215

FILE

SUPPLEMENTAL RESPONSE TO INFORMATION REQUEST TO
LYNWOOD UTILITY CORPORATION IN DOCKET NO. 99-00507

REC'D TN
UTILITY AUTH.
99 OCT 27 AM 10 47

4. Copies of 1996, 1997, 1998 federal and state tax returns for Lynwood Utility.

See attached Franchise, Excise tax return for 1997.

8. Provide a copy of the notice filed by Lynwood Utility as required by Rule 1220-4-1-.05 of the Tennessee Regulatory Authority.

See attached copy of affidavit of publication of notice required by Rule 1220-4-1-.05.

EXECUTIVE SECRETARY

SUPPLEMENTAL RESPONSE TO NO. 4

TENNESSEE DEPARTMENT OF REVENUE
FRANCHISE, EXCISE TAX RETURNFAE
150

Taxable Year	Beginning: 01/01/97	ACCOUNT NO. 301281138	If this is an AMENDED RETURN, please check the box at right. <input type="checkbox"/> If this is a FINAL RETURN for termination or withdrawal, please check box at right. <input type="checkbox"/>
	Ending: 12/31/97	FEIN 62-1602949	

Use attached form. Otherwise, please print or type.	TAXPAYER NAME AND MAILING ADDRESS	
	NAME LYNNWOOD UTILITY CORPORATION	
	BOX	
	(STREET) 130 4TH AVENUE, SOUTH	
	CITY FRANKLIN	
STATE TENNESSEE		ZIP 37064

The franchise, excise tax return is due on or before the first day of the fourth month following the close of the corporate fiscal year.

Make your check payable to the Tennessee Department of Revenue for the amount shown on Line 21 and mail to:

Tennessee Department of Revenue
Andrew Jackson State Office Bldg.
500 Deaderick Street
Nashville, TN 37242

For assistance, you may call in-state toll free 1-800-342-1003 or (615) 741-2594.

Date Tennessee Operations Began	Location of Home Office
05/05/1995	130 4TH AVENUE, SOUTH FRANKLIN, TN 37064
	City State ZIP

CHECK APPROPRIATE BLOCK(S):

- a. ☒ Tennessee domestic corporation
b. ☐ Foreign corporation

- c. ☐ Member of partnership operating in Tennessee
d. ☐ Member of a Limited Liability Company
e. ☐ Member of a consolidated group

- f. ☒ S Corporation
g. ☐ Insurance Company

SCHEDULE A - COMPUTATION OF FRANCHISE TAX

		DOLLARS	CENTS
1. Total Capital stock, surplus, and undivided profits (From Schedule F, Line 8)	(1)	474,278	
2. Value of real and tangible personal property (From Schedule G, Line 16)	(2)	511,524	
3. Franchise tax (25¢ per \$100.00 or major fraction thereof on the greater of Lines 1 or 2; minimum \$10)	(3)	1,279	
4. Less: Gross premiums tax paid by INSURANCE COMPANIES from Schedule L, Line 9a)	(4)		
5. Less: Estimated payments and credits (From Schedule L, Line 4)	(5)		
6. Net Franchise tax due (overpayment) (Line 3 less Lines 4 and 5)	(6)	1,279	
7. Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15)	(7)		
8. Interest (12.50% per annum on taxes unpaid by the due date)	(8)		
9. Total franchise tax due (overpayment) (Add Lines 6, 7 and 8)	(9)	1,279	

TAXPAYERS
COPY

SCHEDULE B - COMPUTATION OF EXCISE TAX

10. Taxable income (From Schedule J, Line 28)	(10)	<39,785	
11. Excise tax (6% of Line 10)	(11)	0	
12. Add: Recapture of excise tax credit (From Schedule T)	(12)		
13. Less: Gross Premiums tax paid by INSURANCE COMPANIES from Schedule L, Line 9b)	(13)		
14. Less: Estimated payments and credits (From Schedule L, Line 8)	(14)		
15. Net excise tax due (overpayment) (Lines 11 and 12 less Lines 13 and 14)	(15)	0	
16. Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15)	(16)		
17. Interest (12.50% per annum on taxes unpaid by the due date)	(17)		
18. Penalty on estimated excise tax payments	(18)		
19. Interest on estimated excise tax payments	(19)		
20. Total excise tax due (overpayment) (Add Lines 15, 16, 17, 18, and 19)	(20)	0	

SCHEDULE C - COMPUTATION OF TOTAL TAX DUE OR OVERPAYMENT

21. Total taxes due (overpayment) (Add Lines 9 and 20)	(21)	1,279	
--	------	-------	--

If overpayment reported on Line 21, complete a and/or b:

- a. ☐ Credit to next year's tax \$ _____ b. ☐ Refund \$ _____

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.

Taxpayer's Signature	Date	Title
<i>V. J. Allmonde</i>	3-6-98	(615) 242-7351
Tax Preparer's Signature	Date	Telephone
KRAFT BROS ESSTMAN PATTON & HARRELL PLLC		
404 JAMES ROBERTSON PARKWAY, SUITE 1200		
NASHVILLE, TN	37219	
Preparer's Address	City	State
		ZIP

FOR OFFICE USE ONLY

Date Rec'd _____

Amt Rec'd _____

RV - R0001002

779181
12-30-97

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040 LYNNWOOD UTILITY CORPORATION

15573A_1

LYNNWOOD UTILITY CORPO. F N

Form 1120 (1997)

Page 4

Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash			10,493.		8,671.
2a Trade notes and accounts receivable		1,800.			
b Less allowance for bad debts		()	1,800.	()	
3 Inventories					
4 U.S. government obligations					
5 Tax-exempt securities					
6 Other current assets					
7 Loans to stockholders			1,000.		1,000.
8 Mortgage and real estate loans					
9 Other investments					
10a Buildings and other depreciable assets		425,000.		479,712.	
b Less accumulated depreciation		(15,938.)	409,062.	(47,130.)	432,582.
11a Depletable assets					
b Less accumulated depletion		()		()	
12 Land (net of any amortization)			75,000.		75,000.
13a Intangible assets (amortizable only)		12,563.		16,531.	
b Less accumulated amortization		(1,047.)	11,516.	(5,874.)	10,657.
14 Other assets			4,020.		9,020.
15 Total assets			512,891.		536,930.
Liabilities and Stockholders' Equity					
16 Accounts payable			1,545.		2,693.
17 Mortgages, notes, bonds payable in less than 1 year					58,680.
18 Other current liabilities			4,287.		1,279.
19 Loans from stockholders					
20 Mortgages, notes, bonds payable in 1 year or more					
21 Other liabilities					
22 Capital stock: a Preferred stock					
b Common stock		1,000.	1,000.	1,000.	1,000.
23 Additional paid-in capital			513,063.		513,063.
24 Retained earnings - Appropriated (attach schedule)					
25 Retained earnings - Unappropriated			<7,004.		<39,785.
26 Adjustments to shareholders' equity					
27 Less cost of treasury stock			()		()
28 Total liabilities and stockholders' equity			512,891.		536,930.

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

1 Net income (loss) per books	<32,781.>	Income recorded on books this year not included on this return (itemize):	
2 Federal income tax		Tax-exempt interest \$	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):			
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Depreciation \$		a Depreciation \$	
b Contributions \$		b Contributions \$	
c Travel and entertainment \$		c carryover \$	
6 Add lines 1 through 5	<32,781.>	9 Add lines 7 and 8	
		10 Income (line 28, page 1) - line 6 less line 9	<32,781.>

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	<7,004.>	5 Distributions:	a Cash	
2 Net income (loss) per books	<32,781.>		b Stock	
3 Other increases (itemize):			c Property	
		6 Other decreases (itemize):		
		7 Add lines 5 and 6		
4 Add lines 1, 2, and 3	<39,785.>	8 Balance at end of year line 4 less line 7		<39,785.>

Page 3

TAXABLE YEAR	NAME OF CORPORATION	ACCOUNT NO.
01/01/97		
12/31/97	LYNNWOOD UTILITY CORPORATION	301281138

Schedule F - BASE OF FRANCHISE TAX

1. Total Capital Stock Outstanding less Treasury Stock (Schedule D, Line 21 less Line 24)	(1)	1,000
2. Capital Surplus, Undivided Profits, and Retained Earnings (Schedule D, Lines 22 and 23)	(2)	473,278
3. Indebtedness to or Guaranteed by Parent or Affiliated Corporation	(3)	
4. All reserves which do not represent legal liabilities	(4)	
5. Deduct: Stock held in corporations doing business in Tennessee	(5)	
6. Total Lines 1, 2, 3, and 4 less Line 5	(6)	474,278
7. Ratio (Schedules N, O, P, R, or S if applicable or 100%)	(7)	100.0000 %
8. Total (Line 6 multiplied by Line 7; enter here and on Schedule A, Line 1)	(8)	474,278

Schedule G - DETERMINATION OF REAL AND TANGIBLE PROPERTY

BOOK VALUE OF PROPERTY OWNED - Cost less accumulated depreciation				Everywhere	In Tennessee
1. Land	(1)			75,000.	75,000.
2. Buildings, Leaseholds, and Improvements	(2)			432,582.	432,582.
3. Machinery, Equipment, Furniture, and Fixtures	(3)				
4. Automobiles and Trucks	(4)				
5. Inventories and Work In Progress	(5)				
6. Prepaid Supplies and Other Tangible Personal Property (Schedule)	(6)				
7. Partnership Net Worth (Value of Corporate Partner's Capital Account; use only if Line 8 is inapplicable)	(7)				
8. Share of Partnership Real and Tangible Property (Do not use this line if the partnership has at least 80% of its property in real estate held for sale or lease or if the partnership has a combined annual payroll and book value of property of \$1,500,000 or less. In such cases, use Line 7)	(8)				
9. Deduct: Value of Certified Pollution Control Equipment	(9)				
10. SUBTOTALS	(10)			507,582.	507,582.
Rents: Value of Property Used but not Owned					
	(A)	(B)	(C)		(D)
	Everywhere	In Tennessee			
11. Net Annual Rental Paid for Real Property			x 8		(11)
12. Net Annual Rental Paid for Machinery and Equipment	1,314.	1,314.	x 3		(12)
13. Net Annual Rental Paid for Furniture, Etc.			x 2		(13)
14. Net Annual Rental Paid for Delivery or Mobile Equipment			x 1		(14)
15. Total Net Annual Rental	1,314.	1,314.			(15)
16. TENNESSEE TOTAL (Add Lines 10-14) Total to Schedule A, Line 2					(16)
					xxxxxx
					511,524.

Schedule H

1. Gross Receipts or Gross Sales	(1)	105,551.
2. Less: Returns and allowances	(2)	
3. Net Sales (Line 1 minus Line 2)	(3)	105,551.

Schedule | - FEDERAL INCOME REVISIONS

Have you had Federal Income Revisions that have not been previously reported? NO

If you answered yes, complete schedule below. Where columns 3 and 4 are not the same, a schedule of reconciliation must be submitted.

Year	1. Original Net Income on Federal Return	2. Net Income Corrected	3. Increase (Decrease) in Net Income	4. Increase (Decrease) Affecting Excise Tax

FOR REVENUE DEPARTMENT USE ONLY Date: _____

LYNNWOOD UTILITY CORPORATION

62-1602949

page 4

Schedule J - COMPUTATION OF NET EARNINGS SUBJECT TO TAX

NOTE: Federal taxable income before the net operating loss deduction and special deductions is the beginning point for determining the "net earnings" subject to the excise tax. There are certain state adjustments which are shown on Line 2 through 20 below. PLEASE DO NOT INCLUDE A COPY OF FEDERAL FORM 1120 OR 1120S WITH THIS RETURN.

1. Net Income (Fed. Form 1120 before NOL deductions and special deductions or "ordinary income" per 1120-S)	(1)	<32,781.>
ADDITIONS:		
2. Income items to extent includable in federal income were it not for "S" status election	(2)	
3. Tennessee excise tax (to the extent deducted on Fed. Form 1120 or 1120-S)	(3)	
4. Gross premium tax paid to Tennessee Department of Commerce and Insurance and deducted on Schedule L, Line 9 (INSURANCE COMPANIES ONLY)	(4)	
5. Interest on obligations of States and their political subdivisions	(5)	
6. Depletion not based on actual recovery of cost	(6)	
7. Contribution carryover from prior period(s)	(7)	
8. Capital gains offset by capital loss carryover	(8)	
9. Excess fair market value over book value of property donated	(9)	
10. Any expense or depreciation deducted for federal tax purpose solely as a result of "safe harbor" lease election(s)	(10)	
11. Total additions (Add Lines 2 through 10)	(11)	
DEDUCTIONS:		
12. Expense items to extent includable in federal expenses were it not for "S" status election	(12)	
13. Dividends of subsidiary, at least 80% owned	(13)	
14. Contributions in excess of amount allowed by federal government	(14)	
15. Portion of capital loss not included in federal taxable income	(15)	
16. Nonbusiness earnings - (From Schedule M, Line 8)	(16)	
17. Any expense, other than income taxes, not deducted in determining federal taxable income for which a credit against the federal income tax is allowable	(17)	
18. Any income included for federal tax purposes solely as a result of "safe harbor" lease election(s)	(18)	
19. Any depreciation or other expense which could have been deducted for federal tax purposes had it not been for "safe harbor" lease election(s)	(19)	
20. TOTAL deductions (Add Lines 12 through 19)	(20)	
COMPUTATION OF TAXABLE INCOME:		
21. Taxable income (Line 1 plus Line 11 minus Line 20; if loss, complete Schedule K)	(21)	<32,781.>
22. Ratio (Schedules N, O, P, R, or S if applicable or 100%)	(22)	100.0000 %
23. Line 21 multiplied by Line 22	(23)	<32,781.>
24. Add: Nonbusiness earnings allocated directly to Tennessee (From Schedule M, Line 9)	(24)	
25. Deduct: Loss carryover from prior years (From Schedule U)	(25)	7,004.
26. Subject to tax rate of 6% (enter here and on Schedule B, Line 10)	(26)	<39,785.>

Schedule K - DETERMINATION OF LOSS CARRYOVER AVAILABLE - See Rule 1320-5-1-.21 of Departmental Rules and Regulations

1. Net loss from Line 21	(1)	(32,781.)
2. Add: Income deducted at Line 13 and 16 of Schedule J	(2)	
3. Reduced loss (if Line 2 equals or exceeds Line 1, show "0")	(3)	(32,781.)
4. Excise Tax ratio (Schedules N, O, P, R, or S if applicable or 100%)	(4)	100.0000 %
5. Current year loss carryover available (Line 3 multiplied by Line 4)	(5)	32,781.

Schedule L - SCHEDULE OF ESTIMATED PAYMENTS AND CREDITS

1. Franchise Tax extension payment and prior year's overpayment	(1)	
2. Franchise Tax jobs credit (From Schedule X)	(2)	
3. Franchise Tax Day Care credit (From Schedule W)	(3)	
4. Total Franchise Tax payments/credits (Add Lines 1 through 3; transfer to Schedule A, Line 5)	(4)	
5. Excise Tax extension and estimated payments and prior year's overpayment	(5)	
6. Excise Tax credit on industrial machinery (From Schedule T)	(6)	
7. Excise Tax Day Care credit (From Schedule W)	(7)	
8. Total excise tax payments/credits (Add Lines 5 through 7; transfer to Schedule B, Line 14)	(8)	
FOR INSURANCE COMPANIES ONLY:		
9. Gross premiums tax paid to Tenn. Dept. of Commerce and Insurance and included on Schedule J, Line 4	(9)	
NOTE: The gross premiums tax credit is limited to the lesser of the gross premiums tax paid or the total franchise and excise tax liability.		
a. Gross premiums tax applied to franchise tax (Transfer to Schedule A, Line 4)	(a)	
b. Gross premiums tax applied to excise tax (Transfer to Schedule B, Line 13)	(b)	

TENNESSEE DEPARTMENT OF REVENUE
LOSS CARRYOVER/INDUSTRIAL MACHINERY CREDIT CARRYOVER

SCHEDULE U and V
(FORM FAE 150)

TAXABLE YEAR	NAME OF CORPORATION	ACCOUNT NO.
01/01/97 12/31/97	LYNNWOOD UTILITY CORPORATION	301281138

NOTE: SCHEDULES U AND V ARE NOT REQUIRED TO BE FILED WITH THE RETURN. These schedules may be used as a worksheet to compute the amount of net operating loss carryover and / or excise tax credit carryover available.

IMPORTANT INFORMATION APPLICABLE TO LOSS CARRYOVER

- Any net operating loss incurred for fiscal years ended on or after 3-15-82 and prior to 1-15-84 may be carried forward seven (7) years as a net operating loss carryover.
- Any net operating loss incurred for fiscal years ending on or after 1-15-84 may be carried forward fifteen (15) years as a net operating loss carryover.
- COMBINED RETURN - UNITARY GROUP OF FINANCIAL INSTITUTIONS:**
 Any net operating loss incurred by a member of the unitary group which has been apportioned to Tennessee in a year prior to filing a combined return may be carried forward seven (7) years as a net operating loss carryover by the unitary group. A net operating loss incurred by a unitary group of financial institutions computed on a combined basis may be carried forward fifteen (15) years by the unitary group.
 Reference: Section 67-4-805(b)(2)(c), Tennessee Code Annotated.

SCHEDULE U - SCHEDULE OF LOSS CARRYOVER

Year	Period Ended (mm/yy)	For Original Return or As Amended	Used in Prior Year(s)	Expired	Loss Carryover Available
1	12/96	7,004.			7,004.
2	12/95				
3	12/94				
4	12/93				
5	12/92				
6	12/91				
7	12/90				
8	12/89				
9	12/88				
10	12/87				
11	12/86				
12	12/85				
13	12/84				
14	12/83				
15	12/82				
Total Amount (Transfer to Schedule J, Line 25)					7,004.

79261
2-30-97

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4.1

040 LYNNWOOD UTILITY CORPORATION

15573A_1

SUPPLEMENTAL RESPONSE TO NO. 8

AFFIDAVIT of PUBLICATION

This is to certify that the attached notice appeared in *The Review Appeal* on the following date(s):

9/15/99

Signed:

Mindy D. Idell
Ofc. Mgr., Editor, General Mgr.

Signed and sworn this

23 day of Sept, 1999

[Signature]
Notary Public
My commission expires Oct. 8, 2002

Errors - The liability of the publisher on account of errors in or omissions from any advertisement will in no way exceed the amount of the charge for the space occupied by the item in error and then only for the first incorrect insertion.

14.5 x
4.85 =
70.33 *

70.33 x
1. =
70.33 *

9-15-002

PUBLIC NOTICE

All members of the public please take notice that on July 15, 1999, Lynwood Utility Corporation filed a Petition to change and increase its rates and charges for sewer service with the Tennessee Regulatory Authority. The monthly sewer service rate changes and increases have been proposed because the utility's existing rates and rate structure do not produce sufficient revenue to permit the utility to meet its operating expenses. The tap fees have been increased to provide funds for the present and future expansion of the utility's wastewater treatment plant and other capital improvements and to produce revenue to permit the utility to meet its operating expenses. No hearing date has been set for the Petition. The proposed rate revisions are set forth as

Rates-

Residential - The proposed rates increase existing rates and change the manner in which monthly sewer service rates will be charged. Under existing rates monthly residential rates are a flat monthly rate based upon the number of bedrooms per residential unit ranging from \$9.00 per month for a one bedroom unit to \$16.00 per month for a five bedroom unit. Under the proposed rates residential customers will be charged \$5.77 per 1,000 gallons of flow per month as measured by water usage at the residence with a minimum charge of \$15.00 per month. These rate changes will result in an increase in the average residential customer's monthly rate from \$15.63 to \$45.00.

Monthly Sewer Service Rate - Commercial - The existing commercial monthly sewer service rate will increase from \$1.40 per 1000 gallons of flow per month to \$2.00 per 1000 gallons of flow per month with a minimum monthly charge of \$20.00 per month. This rate change will result in an increase in the average commercial customer's monthly rate from \$787.00 to \$2125.00.

Tap Fees - The existing residential tap fee will increase from \$1,750 to \$2,750. The existing commercial tap fee will

increase from \$2.00 per gallon per day of assumed or actual flow to \$7.86 per gallon per day of assumed or actual flow.

Sewer Connection Fee - The existing sewer connection fee of \$30.00 will be increased to \$250.00 which will cover the utility's actual costs of making a sewer connection and setting up a new service.

Return Check Fee - A returned check charge of \$20.00 is proposed to be charged to all customers who pay bills with checks that are not paid due to insufficient funds.

A complete copy of the proposed tariff changes and the reasons for them are on file with the Tennessee Regulatory Authority and are open to public inspection.

9/15 RA

9-15-002

**SUPPLEMENTAL RESPONSE TO INFORMATION REQUEST TO
LYNWOOD UTILITY CORPORATION IN DOCKET NO. 99-00507**

4. Copies of 1996, 1997, 1998 federal and state tax returns for Lynwood Utility.
See attached Franchise, Excise tax return for 1997.
8. Provide a copy of the notice filed by Lynwood Utility as required by Rule 1220-4-1-.05 of the Tennessee Regulatory Authority.
See attached copy of affidavit of publication of notice required by Rule 1220-4-1-.05.

SUPPLEMENTAL RESPONSE TO NO. 4

TENNESSEE DEPARTMENT OF REVENUE
FRANCHISE, EXCISE TAX RETURN

FAE
150

Taxable Year	Beginning: 01/01/97	ACCOUNT NO 301281138	If this is an AMENDED RETURN, please check the box at right. <input type="checkbox"/> If this is a FINAL RETURN for termination or withdrawal, please check box at right. <input type="checkbox"/>
	Ending: 12/31/97	FEIN 62-1602949	

Use attached label. Otherwise, please print or type	TAXPAYER NAME AND MAILING ADDRESS	
	NAME LYNNWOOD UTILITY CORPORATION	
	BOX	
	(STREET) 130 4TH AVENUE, SOUTH	
	CITY FRANKLIN	
STATE TENNESSEE		ZIP 37064

The franchise, excise tax return is due on or before the first day of the fourth month following the close of the corporate fiscal year.

Make your check payable to the Tennessee Department of Revenue for the amount shown on Line 21 and mail to:

Tennessee Department of Revenue
Andrew Jackson State Office Bldg.
500 Deaderick Street
Nashville, TN 37242

For assistance, you may call in-state toll free 1-800-342-1003 or (615) 741-2594.

Date Tennessee Operations Began	Location of Home Office
05/05/1995	130 4TH AVENUE, SOUTH FRANKLIN, TN 37064
	City State ZIP

CHECK APPROPRIATE BLOCK(S):		
a. <input checked="" type="checkbox"/> Tennessee domestic corporation	c. <input type="checkbox"/> Member of partnership operating in Tennessee	f. <input checked="" type="checkbox"/> S Corporation
b. <input type="checkbox"/> Foreign corporation	d. <input type="checkbox"/> Member of a Limited Liability Company	g. <input type="checkbox"/> Insurance Company
e. <input type="checkbox"/> Member of a consolidated group		

SCHEDULE A - COMPUTATION OF FRANCHISE TAX

	DOLLARS	CENTS
1. Total Capital stock, surplus, and undivided profits (From Schedule F, Line 8)	474,278	
2. Value of real and tangible personal property (From Schedule G, Line 16)	511,524	
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4. Less: Gross premiums tax paid by INSURANCE COMPANIES from Schedule L, Line 9a)		
5. Less: Estimated payments and credits (From Schedule L, Line 4)		
6. Net Franchise tax due (overpayment) (Line 3 less Lines 4 and 5)	1,279	
7. Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15)		
8. Interest (12.50% per annum on taxes unpaid by the due date)		
9. Total franchise tax due (overpayment) (Add Lines 6, 7 and 8)	1,279	

SCHEDULE B - COMPUTATION OF EXCISE TAX

10. Taxable income (From Schedule J, Line 28)	(10)	<39,785>
11. Excise tax (6% of Line 10)	(11)	0
12. Add: Recapture of excise tax credit (From Schedule T)	(12)	
13. Less: Gross Premiums tax paid by INSURANCE COMPANIES from Schedule L, Line 9b)	(13)	
14. Less: Estimated payments and credits (From Schedule L, Line 8)	(14)	
15. Net excise tax due (overpayment) (Lines 11 and 12 less Lines 13 and 14)	(15)	0
16. Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15)	(16)	
17. Interest (12.50% per annum on taxes unpaid by the due date)	(17)	
18. Penalty on estimated excise tax payments	(18)	
19. Interest on estimated excise tax payments	(19)	
20. Total excise tax due (overpayment) (Add Lines 15, 16, 17, 18, and 19)	(20)	0

SCHEDULE C - COMPUTATION OF TOTAL TAX DUE OR OVERPAYMENT

21. Total taxes due (overpayment) (Add Lines 9 and 20)	(21)	1,279
--	------	-------

If overpayment reported on Line 21, complete a and/or b:

a. ☐ Credit to next year's tax \$ _____ b. ☐ Refund \$ _____

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.

Taxpayer's Signature	Date	Title
<i>V. J. Alexander</i>	3-6-98	(615) 242-7351
Tax Preparer's Signature	Date	Telephone
KRAFT BROS ESSTMAN PATTON & HARRELL PLLC		
404 JAMES ROBERTSON PARKWAY, SUITE 1200		
NASHVILLE, TN		37219
Preparer's Address	City	State
		ZIP

FOR OFFICE USE ONLY

Date Rec'd _____

Amt Rec'd _____

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040 LYNNWOOD UTILITY CORPORATION

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Form 1120 (1997)

Page 4

Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash			10,493.		8,671.
2a Trade notes and accounts receivable		1,800.			
b Less allowance for bad debts		()	1,800.		
3 Inventories					
4 U.S. government obligations					
5 Tax-exempt securities					
6 Other current assets					
7 Loans to stockholders			1,000.		1,000.
8 Mortgage and real estate loans					
9 Other investments					
10a Buildings and other depreciable assets		425,000.		479,712.	
b Less accumulated depreciation		(15,938.)	409,062.	(47,130.)	432,582.
11a Depletable assets					
b Less accumulated depletion		()		()	
12 Land (net of any amortization)			75,000.		75,000.
13a Intangible assets (amortizable only)		12,563.		16,531.	
b Less accumulated amortization		(1,047.)	11,516.	(5,874.)	10,657.
14 Other assets			4,020.		9,020.
15 Total assets			512,891.		536,930.
Liabilities and Stockholders' Equity					
16 Accounts payable			1,545.		2,693.
17 Mortgages, notes, bonds payable in less than 1 year					58,680.
18 Other current liabilities			4,287.		1,279.
19 Loans from stockholders					
20 Mortgages, notes, bonds payable in 1 year or more					
21 Other liabilities					
22 Capital stock: a Preferred stock					
b Common stock		1,000.	1,000.	1,000.	1,000.
23 Additional paid-in capital			513,063.		513,063.
24 Retained earnings - Appropriated (action scheduled)					
25 Retained earnings - Unappropriated			<7,004.>		<39,785.>
26 Adjustments to shareholders' equity					
27 Less cost of treasury stock			()		()
28 Total liabilities and stockholders' equity			512,891.		536,930.

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

1 Net income (loss) per books	<32,781.>	Income recorded on books this year not included on this return (Itemize):	
2 Federal income tax		Tax-exempt interest	\$
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (Itemize):			
5 Expenses recorded on books this year not deducted on this return (Itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Depreciation	\$	a Depreciation	\$
b Contributions	\$	b Contributions	\$
c Travel and entertainment	\$	c Carryover	\$
6 Add lines 1 through 5	<32,781.>	9 Add lines 7 and 8	
		10 Income (line 28, page 1) - line 6 less line 9	<32,781.>

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	<7,004.>	5 Distributions: a Cash	
2 Net income (loss) per books	<32,781.>	b Stock	
3 Other increases (Itemize):		c Property	
		6 Other decreases (Itemize):	
		7 Add lines 5 and 6	
4 Add lines 1, 2, and 3	<39,785.>	8 Balance at end of year (line 4 less line 7)	<39,785.>

Page 3

TAXABLE YEAR	NAME OF CORPORATION	ACCOUNT NO.
01/01/97		
12/31/97	LYNNWOOD UTILITY CORPORATION	301281138

Schedule F - BASE OF FRANCHISE TAX

1. Total Capital Stock Outstanding less Treasury Stock (Schedule D, Line 21 less Line 24)	(1)	1,000.
2. Capital Surplus, Undivided Profits, and Retained Earnings (Schedule D, lines 22 and 23)	(2)	473,278.
3. Indebtedness to or Guaranteed by Parent or Affiliated Corporation	(3)	
4. All reserves which do not represent legal liabilities	(4)	
5. Deduct: Stock held in corporations doing business in Tennessee	(5)	
6. Total Lines 1, 2, 3, and 4 less Line 5	(6)	474,278.
7. Ratio (Schedules N, O, P, R, or S if applicable or 100%)	(7)	100.0000 %
8. Total (Line 6 multiplied by Line 7; enter here and on Schedule A, Line 1)	(8)	474,278.

Schedule G - DETERMINATION OF REAL AND TANGIBLE PROPERTY

BOOK VALUE OF PROPERTY OWNED - Cost less accumulated depreciation			Everywhere	In Tennessee
1. Land	(1)	75,000.	75,000.	
2. Buildings, Leaseholds, and Improvements	(2)	432,582.	432,582.	
3. Machinery, Equipment, Furniture, and Fixtures	(3)			
4. Automobiles and Trucks	(4)			
5. Inventories and Work In Progress	(5)			
6. Prepaid Supplies and Other Tangible Personal Property (Schedule)	(6)			
7. Partnership Net Worth (Value of Corporate Partner's Capital Account; use only if Line 8 is inapplicable)	(7)			
8. Share of Partnership Real and Tangible Property (Do not use this line if the partnership has at least 80% of its property in real estate held for sale or lease or if the partnership has a combined annual payroll and book value of property of \$1,500,000 or less; in such cases, use Line 7)	(8)			
9. Deduct: Value of Certified Pollution Control Equipment	(9)	()	()	
10. SUBTOTALS	(10)	507,582.	507,582.	
Rental: Value of Property Used but not Owned				
	(A)	(B)	(C)	
	Everywhere	In Tennessee		
11. Net Annual Rental Paid for Real Property			x 8 (11)	
12. Net Annual Rental Paid for Machinery and Equipment	1,314.	1,314.	x 3 (12)	
13. Net Annual Rental Paid for Furniture, Etc.			x 2 (13)	
14. Net Annual Rental Paid for Delivery or Mobile Equipment			x 1 (14)	
15. Total Net Annual Rental	1,314.	1,314.	(15)	
16. TENNESSEE TOTAL (Add Lines 10-14) Total to Schedule A, Line 2			(16)	

Schedule H

1. Gross Receipts or Gross Sales	(1)	105,551.
2. Less: Returns and allowances	(2)	
3. Net Sales (Line 1 minus Line 2)	(3)	105,551.

Schedule I - FEDERAL INCOME REVISIONS

Have you had Federal Income Revisions that have not been previously reported? <u>NO</u>				
If you answered yes, complete schedule below. Where columns 3 and 4 are not the same, a schedule of reconciliation must be submitted.				
Year	1. Original Net Income on Federal Return	2. Net Income Corrected	3. Increase (Decrease) in Net Income	4. Increase (Decrease) Affecting Excise Tax
FOR REVENUE DEPARTMENT USE ONLY				Date: _____

Page 4

Schedule J - COMPUTATION OF NET EARNINGS SUBJECT TO TAX

NOTE: Federal taxable income before the net operating loss deduction and special deductions is the beginning point for determining the "net earnings" subject to the excise tax. There are certain state adjustments which are shown on Line 2 through 20 below. PLEASE DO NOT INCLUDE A COPY OF FEDERAL FORM 1120 OR 1120S WITH THIS RETURN.

1. Net income (Fed. Form 1120 before NOL deductions and special deductions or "ordinary income" per 1120-S)	(1)	<32,781.>
ADDITIONS:		
2. Income items to extent includable in federal income were it not for "S" status election	(2)	
3. Tennessee excise tax (to the extent deducted on Fed. Form 1120 or 1120-S)	(3)	
4. Gross premium tax paid to Tennessee Department of Commerce and Insurance and deducted on Schedule L, Line 9 (INSURANCE COMPANIES ONLY)	(4)	
5. Interest on obligations of States and their political subdivisions	(5)	
6. Depletion not based on actual recovery of cost	(6)	
7. Contribution carryover from prior period(s)	(7)	
8. Capital gains offset by capital loss carryover	(8)	
9. Excess fair market value over book value of property donated	(9)	
10. Any expense or depreciation deducted for federal tax purpose solely as a result of "safe harbor" lease election(s)	(10)	
11. Total additions (Add Lines 2 through 10)	(11)	
DEDUCTIONS:		
12. Expense items to extent includable in federal expenses were it not for "S" status election	(12)	
13. Dividends of subsidiary, at least 20% owned	(13)	
14. Contributions in excess of amount allowed by federal government	(14)	
15. Portion of capital loss not included in federal taxable income	(15)	
16. Nonbusiness earnings - (From Schedule M, Line 8)	(16)	
17. Any expense, other than income taxes, not deducted in determining federal taxable income for which a credit against the federal income tax is allowable	(17)	
18. Any income included for federal tax purposes solely as a result of "safe harbor" lease election(s)	(18)	
19. Any depreciation or other expense which could have been deducted for federal tax purposes had it not been for "safe harbor" lease election(s)	(19)	
20. TOTAL deductions (Add Lines 12 through 19)	(20)	
COMPUTATION OF TAXABLE INCOME:		
21. Taxable income (Line 1 plus Line 11 minus Line 20; if loss, complete Schedule K)	(21)	<32,781.>
22. Ratio (Schedules N, C, P, R, or S if applicable or 100%)	(22)	100.0000 %
23. Line 21 multiplied by Line 22	(23)	<32,781.>
24. Add: Nonbusiness earnings allocated directly to Tennessee (From Schedule M, Line 9)	(24)	
25. Deduct: Loss carryover from prior years (From Schedule U)	(25)	7,004.
26. Subject to tax rate of 6% (enter here and on Schedule B, Line 10)	(26)	<39,785.>

Schedule K - DETERMINATION OF LOSS CARRYOVER AVAILABLE - See Rule 1320-6-1-.21 of Departmental Rules and Regulations

1. Net loss from Line 21	(1)	(32,781.)	
2. Add: Income deducted at Line 13 and 16 of Schedule J	(2)		
3. Reduced loss (if Line 2 equals or exceeds Line 1, show "0")	(3)	(32,781.)	
4. Excise Tax ratio (Schedules N, O, P, R, or S if applicable or 100%)	(4)	100.0000 %	
5. Current year loss carryover available (Line 3 multiplied by Line 4)	(5)		32,781.

Schedule L - SCHEDULE OF ESTIMATED PAYMENTS AND CREDITS

1. Franchise Tax extension payment and prior year's overpayment	(1)		
2. Franchise Tax jobs credit (From Schedule X)	(2)		
3. Franchise Tax Day Care credit (From Schedule W)	(3)		
4. Total Franchise Tax payments/credits (Add Lines 1 through 3; transfer to Schedule A, Line 5)	(4)		
5. Excise Tax extension and estimated payments and prior year's overpayment	(5)		
6. Excise Tax credit on industrial machinery (From Schedule T)	(6)		
7. Excise Tax Day Care credit (From Schedule W)	(7)		
8. Total excise tax payments/credits (Add Lines 5 through 7; transfer to Schedule B, Line 14)	(8)		
FOR INSURANCE COMPANIES ONLY:			
9. Gross premiums tax paid to Tenn. Dept. of Commerce and Insurance and included on Schedule J, Line 4	(9)		
NOTE: The gross premiums tax credit is limited to the lesser of the gross premiums tax paid or the total franchise and excise tax liability.			
a. Gross premiums tax applied to franchise tax (Transfer to Schedule A, Line 4)	(a)		
b. Gross premiums tax applied to excise tax (Transfer to Schedule B, Line 13)	(b)		

TENNESSEE DEPARTMENT OF REVENUE
LOSS CARRYOVER/INDUSTRIAL MACHINERY CREDIT CARRYOVER

SCHEDULE U and V
(FORM FAE 150)

TAXABLE YEAR	NAME OF CORPORATION	ACCOUNT NO.
01/01/97 12/31/97	LYNNWOOD UTILITY CORPORATION	301281138

NOTE: SCHEDULES U AND V ARE NOT REQUIRED TO BE FILED WITH THE RETURN. These schedules may be used as a worksheet to compute the amount of net operating loss carryover and / or excise tax credit carryover available.

IMPORTANT INFORMATION APPLICABLE TO LOSS CARRYOVER

- Any net operating loss incurred for fiscal years ended on or after 3-15-82 and prior to 1-15-84 may be carried forward seven (7) years as a net operating loss carryover.
- Any net operating loss incurred for fiscal years ending on or after 1-15-84 may be carried forward fifteen (15) years as a net operating loss carryover.
- COMBINED RETURN - UNITARY GROUP OF FINANCIAL INSTITUTIONS:**
Any net operating loss incurred by a member of the unitary group which has been apportioned to Tennessee in a year prior to filing a combined return may be carried forward seven (7) years as a net operating loss carryover by the unitary group. A net operating loss incurred by a unitary group of financial institutions computed on a combined basis may be carried forward fifteen (15) years by the unitary group.
Reference: Section 67-4-805(b)(2)(c), Tennessee Code Annotated.

SCHEDULE U - SCHEDULE OF LOSS CARRYOVER

Year	Period Ended (mm/yy)	For Original Return or As Amended	Used in Prior Year(s)	Expired	Loss Carryover Available
1	12/96	7,004.			7,004.
2	12/95				
3	12/94				
4	12/93				
5	12/92				
6	12/91				
7	12/90				
8	12/89				
9	12/88				
10	12/87				
11	12/86				
12	12/85				
13	12/84				
14	12/83				
15	12/82				
Total Amount (Transfer to Schedule J, Line 25)					7,004.

SUPPLEMENTAL RESPONSE TO NO. 8

AFFIDAVIT of PUBLICATION

This is to certify that the attached notice appeared in *The Review Appeal* on the following date(s):

9/15/99

Signed:

Mindy D. Idell
Ofc. Mgr., Editor, General Mgr.

Signed and sworn this

23 day of Sept, 1999

[Signature]
Notary Public
My commission expires Oct. 8, 2002

Errors - The liability of the publisher on account of errors in or omissions from any advertisement will in no way exceed the amount of the charge for the space occupied by the item in error and then only for the first incorrect insertion.

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Rates- Residential - The proposed rates increase existing rates and change the manner in which monthly sewer service rates will be charged. Under existing rates monthly residential rates are a flat monthly rate based upon the number of bedrooms per residential unit ranging from \$9.00 per month for a one bedroom unit to \$16.00 per month for a five bedroom unit. Under the proposed rates residential customers will be charged \$5.77 per 1,000 gallons of flow per month as measured by water usage at the residence with a minimum charge of \$15.00 per month. These rate changes will result in an increase in the average residential customer's monthly rate from \$15.63 to \$45.00.

Monthly Sewer Service Rate - Commercial - The existing commercial monthly sewer service rate will increase from \$1.40 per 1000 gallons of flow per month to \$2.00 per 1000 gallons of flow per month with a minimum monthly charge of \$20.00 per month. This rate change will result in an increase in the average commercial customer's monthly rate from \$787.00 to \$2125.00.

Tap Fees - The existing residential tap fee will increase from \$1,750 to \$2,750. The existing commercial tap fee will

increase from \$2.00 per gallon per day of assumed or actual flow to \$7.86 per gallon per day of assumed or actual flow.

Sewer Connection Fee - The existing sewer connection fee of \$30.00 will be increased to \$250.00 which will cover the utility's actual costs of making a sewer connection and setting up a new service.

Return Check Fee - A returned check charge of \$20.00 is proposed to be charged to all customers who pay bills with checks that are not paid due to insufficient funds.

A complete copy of the proposed tariff changes and the reasons for them are on file with the Tennessee Regulatory Authority and are open to public inspection.
9/15 RA

9-15-002

PUBLIC NOTICE

All members of the public please take notice that on July 15, 1999, Lynwood Utility Corporation filed a Petition to change and increase its rates and charges for sewer service with the Tennessee Regulatory Authority. The monthly sewer service rate changes and increases have been proposed because the utility's existing rates and rate structure do not produce sufficient revenue to permit the utility to meet its operating expenses. The tap fees have been increased to provide funds for the present and future expansion of the utility's wastewater treatment plant and other capital improvements and to produce revenue to permit the utility to meet its operating expenses. No hearing date has been set for the Petition. The proposed rate revisions are set forth as